



March 31, 2004

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitutional Avenue NW
Washington DC 20551

RE: Docket No. R-1181

As a community banker, I agree with the federal bank regulators to increase the asset size of banks eligible for the streamlined CRA examination. However, I feel that the level for streamlined exam should be increased to \$2 billion.

The CRA regulation is quite simple "banks must ensure they are meeting the credit needs of their community including low-to-moderate income areas". The reporting, data mining and record keeping is costly and does not truly reflect the lending patterns of financial institutions. At some point in time the examination process and record keeping lost focus of the intent of this regulation.

NorthSide Community Bank is \$400 million in assets, we are required to complete reports for total lending, HMDA reportable loans and small business loans. The CRA reporting requirements are in conflict with other Regulations: as an example; the amount of revenues for small business is different for CRA than that for Reg B, this adds additional record keeping of the same information. In addition the bank offers many more types of loans, but we are reviewed for only 2 very specific products.

The mortgage industry is a strong competitor and the number of HMDA reportable loans has decreased dramatically over the last 10 years. Purchase money mortgages represents only a small portion of the loans we make to consumers.


We invest in our community through Investment Bonds at favorable rates. We recently invested in Village of Gurnee Park District Bond, this bond does not count towards the investment test because there are no low to moderate tracts in the Village of Gurnee. However, the bond helped the entire community, with a favorable rate and financing for a public use facility. The last examiner wanted me to prove how those funds got to low to moderate income areas.

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If we continue on this path with our exam processes we will damage the financial base of the banks. NorthSide Community Bank has a loan to deposit ratio of 113%. We invest in our communities and have always been willing to assist those less fortunate. We support the police, the fire department and the schools, these contributions make for a stronger community. I am quite certain that when the law was written in 1977 there were some "bad bankers" out there. But the regulation has become a political tool and does not consider the consequences of the processes imposed.

Like any business we are here to provide a needed service, create value to our organization and provide a return to our shareholders. The imploding costs of recording keeping and staff will erode this core. Again, I strongly urge you to consider raising the level to \$2 billion and review the examination requirements.

Sincerely,



Patricia A. Clausen
President/CEO